

**For:** Cotton State and County Offices

**Modifications to the Cotton Online Processing System (COPS) to Process  
Cotton Loan Transfers and Producer Implication of Transfers and Forfeitures**

**Approved by:** Acting Deputy Administrator, Farm Programs



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**1 Overview**

**A Background**

According to 7 CFR 1427.16, cotton loan collateral may be transferred to another approved location during the loan period.

Notice CN-1015:

- provided information to State and County Offices, CMA's, and LSA's about the interim and long-term loan cotton transfer process
- instructed County Offices to suspend error corrections.

Software to support the long-term transfer process has been developed and is now in production.

**B Purpose**

This notice provides information to State and County Offices about the following:

- software modifications that enable the long-term transfer process
- implications of cotton transfers and forfeiture charges for producers to be publicized in a newsletter or press release.

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Disposal Date	Distribution
January 1, 2008	Cotton State Offices; State Offices relay to applicable County Offices

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## 1 Overview (Continued)

### C Contact

State Offices shall direct questions about this notice to:

- Julie Floriani about automation issues by either of the following:
  - telephone at 202-720-8374
  - e-mail to **julie.floriani@wdc.usda.gov**
- Gene Rosera about policy issues by either of the following:
  - telephone at 202-720-8481
  - e-mail to **gene.rosera@wdc.usda.gov**.

## 2 Transfer Process

### A Updating Electronic Warehouse Receipts (EWR's) to Pending Transfer Status

A transfer may be requested by CMA, LSA, or merchant and will be submitted to the EWR Provider. If the request passes the EWR Provider validations, the request will be sent to COPS. This request will identify each bale to be transferred by:

- warehouse code
- receipt number
- gin code
- gin tag number
- crop year.

**Note:** At this point, EWR's can only be canceled or returned to CCC.

COPS will further validate EWR's for the following:

- same EWR Provider
- is currently under loan
- must be more than 30 calendar days before maturity
- bale contains no COPS errors
- EAD indicator is "Y". If the indicator is "N", COPS will automatically set it to "Y".

**Note:** All EWR's in a single shipping order must pass validation for the transfer to be approved.

**2 Transfer Process (Continued)**

**A Updating Electronic Warehouse Receipts (EWR's) to Pending Transfer Status (Continued)**

Once validated, the shipping order will be posted in COPS for KCCO approval/disapproval. KCCO will:

- approve or disapprove the transfer
- set the 75-day storage indicator.

**Note:** COPS will notify the EWR Provider of KCCO's approval or disapproval.

If the transfer request is approved, COPS will:

- generate an e-mail to the County Office advising of "Pending Transfer" status
- update EWR's to a "Pending Transfer" status with code "G"

**Note:** The status can be viewed on the COPS Bale Information Screen according to paragraph 4.

- release EWR's to the storing warehouse

**Note:** CCC will remain the holder in COPS.

- provide view/download options for approved transfers.

**Note:** This option will be available in a forthcoming software modification.

Once EWR's are in "Pending Transfer" status, no further action shall occur until the transfer has been completed, canceled, or terminated. This includes the following:

- corrections
- repayments
- violations
- EAD updates.

## 2 Transfer Process (Continued)

### B Updating EWR's to "Receipt in Transit" Status

When the bales are shipped from the storing warehouse to the receiving warehouse, COPS will receive a file indicating the following for each bale:

- warehouse code
- warehouse receipt number
- gin code
- gin tag number
- crop year
- date of shipment.

COPS will update the EWR record with the following:

- date of shipment
- "Receipt in Transit" status with code "R".

**Note:** The status can be viewed on the COPS Bale Information Screen according to paragraph 4.

### C Updating EWR's to "Transfer Complete" Status

After each bale has been transferred, COPS will:

- update the EWR record with the following data:
  - new warehouse code
  - new warehouse receipt number
  - new EWR issue date
  - current holder is CCC

**Note:** Any subsequent action that occurs will use the original warehouse code and receipt number.

- update EWR to "Transfer Complete" status with code "T"

**Note:** The status can be viewed on the COPS Bale Information Screen according to paragraph 4.

- unlock bale for any subsequent transactions except another loan/LDP or repayment.

**2 Transfer Process (Continued)**

**C Updating EWR's to "Transfer Complete" Status (Continued)**

After all bales on a shipping order have been transferred, COPS will create an e-mail to the County Office informing them of the following:

- the transfer is complete
- subsequent action except another loan/LDP or repayment can be processed.

**D County Office Action**

County Offices shall:

- file copies of all e-mails in the loan folder
- **not:**
  - process any corrections, violations, or EAD updates on the bale until the transfer is completed

**Note:** For bales that are **not** involved in a transfer, County Offices shall resume error corrections.

- accept repayment in the County Office for the transferred bale either before or after the transfer is completed

**Note:** Transferred bales **must** be repaid in the Centralized Cotton Redemption (CCR).

- release transferred EWR's under any circumstances to a merchant.

### 3 Repayment of Transferred Loan Collateral

#### A General Information

Transferred loan collateral must be repaid using CCR. County Offices shall **not** accept repayment for this cotton in the local office.

CCR has been modified to calculate storage credit for transferred cotton as follows:

- storage credit shall be calculated using the applicable storage rate for the original storing warehouse
- 2 days additional storage credit shall continue to be added to CCR repayments regardless of how the 75-day indicator is set.

IF the 75-day storage credit indicator is set to...	THEN storage credit will be calculated...
"Y"	to the lesser of the following: <ul style="list-style-type: none"> <li>• EWR issue date at the receiving warehouse plus 74 calendar days, minus 2 days fixed transit period, plus additional 2 days storage credit</li> <li>• repayment date minus 2 days fixed transit period, plus additional 2 day storage credit.</li> </ul>
"N"	up to the repayment date minus 2 days fixed transit period, plus additional 2 days storage credit.

#### B County Office Action

County Offices shall process CCR repayments in APSS in the normal manner according to 7-CN, paragraph 210.8.

If a CCR repayment must be deleted and re-entered in APSS, follow instructions in 7-CN, subparagraph 210.11 C, **except:**

- do **not** use the due date plus 2 days as the receipt release date
- obtain the storage stop date from the COPS Bale Information Screen
- use the storage stop date as the receipt release date, which can be located in COPS according to paragraph 4.

## 4 Viewing Transfer Data in COPS

### A Revised COPS Screens

The following is an example of the COPS Bale Information Screen that has been revised to include transfer data.

**COPS Bale Details - Microsoft Internet Explorer**

**COAS** United States Department of Agriculture  
**Cotton Online Processing System**

**Bale Information**

Crop Year: 2006  
 Gin Code: 22000 Gin Tag #: 2200001  
 Warehouse Code: 125501 Warehouse Receipt #: 2200001  
 Go Reset

Loan / LDP Bale Info		Download Info	
Loan Number:	00001 (loan)	Download State/County:	22 / 127
Farm Number:	0		
State/County of Growth:	22 / 127		
Producer Id:	*****6789		
Receipt Type:	Electronic (E)		
Previous Warehouse Code:	0		
Previous Receipt Number:	0		
File Sequence Number:	TWJ50052		
Tare Weight:	4		
State/County:	22 / 127		
Commodity Type:	Upland (U)		
Original Loan/LDP Amount:	250.00		
Adjusted Loan Rate:	0.00		

Electronic Warehouse Receipt	
Provider/Provider Code:	EWR, INC. (4701)
Data Control Indicator:	CCC released receipt and awaiting acknowledgement (R)
Producer Name:	Jon Q Public
Holder Id/Current Holder:	M369150
Current Holder Change Date/Time:	Wed, Feb-21-2007 12:49 PM
Holder Id/Previous Holder:	CCC
Previous Holder Date:	Wed, Mar-1-2006

Bale Status:	process (A0004)	Loan/Classing Status Code:	A Valid Receipt, having Classing waiting for loan ( )
Storage Start Date:	Mon, Jul-10-2006	Release Code:	Release was repaid (2)
Document Receive Date:	Sat, Jul-8-2006	Date/Time Receipt Sent to Current Holder:	Wed, Feb-21-2007 12:49 PM
Disbursement Date:	Mon, Jul-17-2006	Provider Acknowledgement Date/Time:	no date on file
Maturity Date:	Mon, Apr-30-2007	Status Indicator:	Received in receiving warehouse (T)
Redemption Date:	no date on file	Status Date/Time:	Mon, Feb-12-2007 10:42 AM
Charges Paid Through Date:	no date on file	RO Indicator:	no (N)
Ginning Date:	no date on file	County/CMA/LSA Indicator:	County (A)
Module Number:		Storage Start Date:	Mon, Jul-10-2006
Module Lock-in Date:	no date on file	Date Classed:	Sat, Jul-1-2006
Sales Catalog/Lot Catalog-Close-Date:		Bale Net Weight:	467
CCR Invoice:	2007000000006	Receiving Warehouse:	179525
Schedule Number:	A926	Receiving Receipt:	1800001
Bale Id:	220000000011900		
Loan Id:	617159		
Bale Net Weight:	467		

**Bale Error(s) Information:** No errors on this bale

Bale History Transfer History Classing View Data Source Generate Report  
 Print Close

#### 4 Viewing Transfer Data in COPS (Continued)

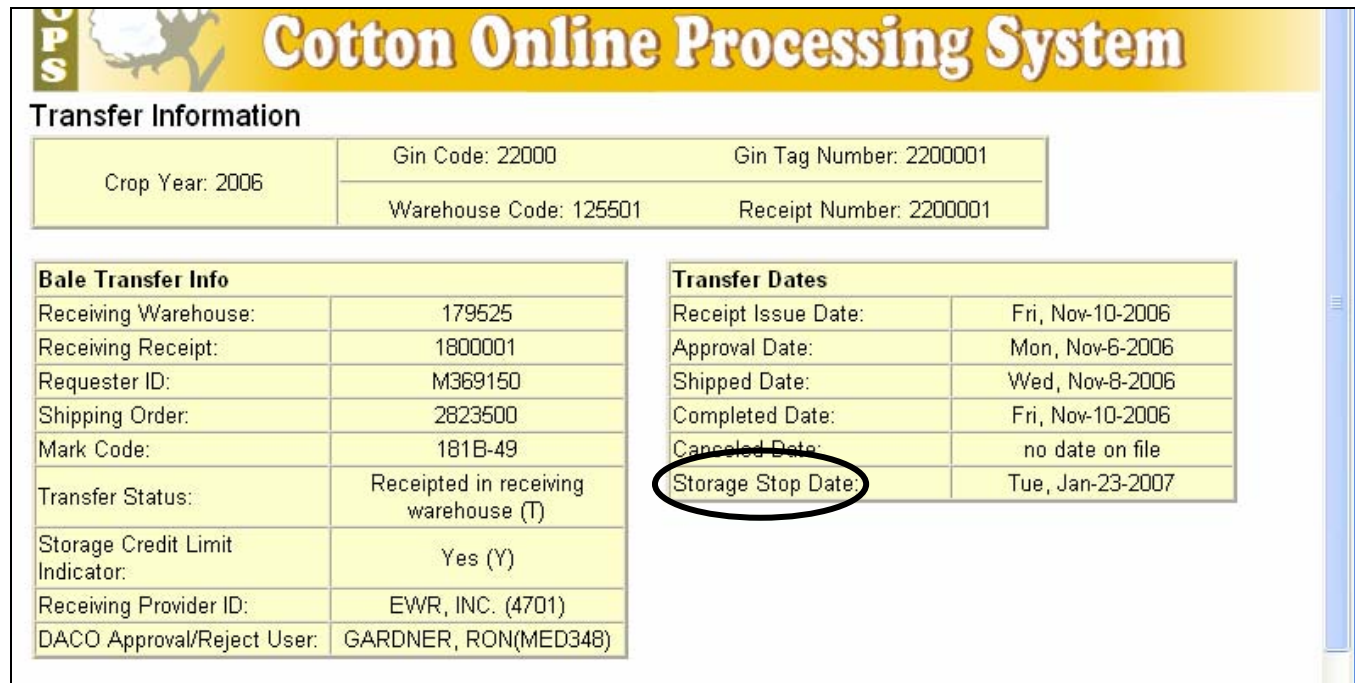
##### A Revised COPS Screens (Continued)

The status indicator will be 1 of the following:

- “G” when the bale is in “Pending Transfer” status and approved for transfer
- “R” when the bale is in “Receipt in Transit” status and has been shipped from the shipping warehouse
- “T” when the bale is in “Transfer Complete” status and has been receipted in the receiving warehouse.

**Note:** When the status is updated to “T”, the bale detail will also show the new receiving warehouse code and receipt number.

To view detailed transfer history, users shall CLICK “Transfer History” on the COPS Bale Information Screen. The following is an example of the COPS Transfer Information Screen.



**Cotton Online Processing System**

**Transfer Information**

Crop Year: 2006	Gin Code: 22000	Gin Tag Number: 2200001
	Warehouse Code: 125501	Receipt Number: 2200001

Bale Transfer Info	
Receiving Warehouse:	179525
Receiving Receipt:	1800001
Requester ID:	M369150
Shipping Order:	2823500
Mark Code:	181B-49
Transfer Status:	Receipted in receiving warehouse (T)
Storage Credit Limit Indicator:	Yes (Y)
Receiving Provider ID:	EWR, INC. (4701)
DACO Approval/Reject User:	GARDNER, RON(MED348)

Transfer Dates	
Receipt Issue Date:	Fri, Nov-10-2006
Approval Date:	Mon, Nov-6-2006
Shipped Date:	Wed, Nov-8-2006
Completed Date:	Fri, Nov-10-2006
Canceled Date:	no date on file
Storage Stop Date:	Tue, Jan-23-2007

The “Storage Stop Date” will be displayed on the COPS Transfer Information Screen. Storage credit is calculated up to this date. This date should be entered as the receipt release date when a CCR transaction must be deleted and re-entered in APSS.



## **5 Transfer Implications for Producers**

### **A Loan Repayment Implications**

Transferred cotton loan collateral will be redeemed based on the loan terms and rates applicable at the original storing location. In most cases, the loan obligation will be repaid by the producer's agent and the producer will play no role in this redemption.

The transfer of loan cotton is not anticipated to cause losses or damages to the cotton. However, any time cotton is moved there is some risk that, while in transit, the bale may be lost or misdirected, or be damaged such that it is rejected by the receiving warehouse. If these events occur at a time when there is no warehouse receipt for the cotton, the original warehouse receipt having been canceled, and a new receipt not issued by the intended receiving warehouse, CCC will require immediate repayment of the loan obligation for these bales at a rate effective on the date the original receipt was canceled.

Notification of this early redemption requirement will be sent to the producer and copied to the current EWR subholder of the bales. CCC will request repayment within 15 calendar days from notification. Under normal circumstances, the producer's agent (bale EWR subholder) who transferred the loan cotton will be redeeming these bales.

### **B Producer Charges Associated With Forfeitures of Transferred Cotton**

Cotton that has been transferred to a new storing location is unlikely to ever be forfeited to CCC. Merchants that relocate loan cotton are required to pre-pay receiving costs, accrued storage, load-out, and compression, if applicable, to the original storing location, plus transportation to the new location. Given these transfer costs, it is anticipated that merchants will redeem from loan and sell all transferred loan cotton.

Still, producers should be aware that the charges associated with forfeiting transferred loan bales vary from those of a normal forfeiture. Charges billed to the producer for transferred, forfeited bales will be based on tariffs at the receiving warehouse, and not tariffs at the original storing warehouse. Because the cotton was already under loan when receipted at the receiving warehouse, there would be no pre-loan accrued storage at the receiving warehouse. Therefore, the charges billed to the producer would be limited to the following:

- any unpaid receiving charge at the receiving warehouse
- compression at the receiving warehouse, if any
- for the period of storage only at the receiving warehouse, any difference between the loan cotton storage rate and the storage-credit rate.

## 6 Producer Charges Associated With Forfeitures of Nontransferred Cotton

### A Producer Charges

Cotton regulation revisions in FY 2006 provide for the following 2 new charges to be billed to producers who forfeit loan cotton to CCC in satisfaction of their loan obligation.

- **Unpaid warehouse compression.** Warehouse compression is a tariff levied by warehouses that is separate from any compression billed by ginneries. It is charged by a majority of warehouses and is **not** authorized to be offset from loan proceeds. If, at the time of forfeiture, a bale EWR indicates that warehouse compression is not paid, the amount of that tariff will be included on the producer collection invoice. Although this tariff is collected from the producer, CCC does not pay it to the warehouse. Instead, CCC will sell the cotton on the basis of “compression due.” This means CCC will sell the cotton at a price reduced by the amount of the compression, but the buyer of the cotton must pay the compression charge to the warehouse. The result is that CCC does not either pay this tariff or absorb it through a reduced sales price when its inventory is sold.
- **Excess storage credit.** Starting with the 2006 crop, storage credits are provided based on the lower of the warehouse 2005 tariff rate or a monthly storage-credit maximum of either of the following:
  - \$4.37 per bale for California and Arizona
  - \$2.66 per bale for all other States where the cotton is stored.

In all cases, these storage credits continue to be calculated on the daily-rate equivalent of monthly rates.

**Example:** A bale has been stored in a warehouse having a loan-cotton storage rate of \$3.00 per month and a maximum storage credit rate of \$2.66 per month. At the end of an 8-month loan period, the producer would be billed for the storage paid to the warehouse exceeding the maximum rate.

$$8 \text{ months} \times (\$3.00 - \$2.66) = \$2.72 \text{ per bale.}$$

In addition to these 2 new charges, producers will continue to be billed for the following:

- unpaid warehouse receiving charges
- accrued warehouse storage charges for any period up to the “date documents received” for the loan.

### B State Office Action

State Offices shall provide distribution of the information in paragraph 5 to producers through newsletters, factsheets, or press releases. This information is in the cotton factsheet titled “Fees and Charges Assessed by the Commodity Credit Corporation for Loans and Transfers”, issued December 2006.